

December 1999 Fact Sheet 1999-07

Y2K PREPARATIONS AT IRS

WASHINGTON – To get ready for the year 2000, the Internal Revenue Service began work three years ago to prepare the massive computer systems that help run the nation's tax system.

"We've done a vast amount of testing, and we're ready for the year 2000," said Paul Cosgrave, IRS Chief Information Officer.

To spearhead Y2K preparations, the IRS created the Century Date Change Project office in 1996. The office operated with two overriding goals:

Ensure the nation's tax-processing systems function in the year 2000 and beyond.

Continue providing effective customer service to taxpayers while preparing for Y2K.

Throughout the process, the IRS has pursued a careful, thorough approach to prepare computer systems and protect taxpayers for Y2K.

WHAT WE CHECKED

When preparations started three years ago, the intricate IRS system faced numerous Y2K challenges, including an incomplete list of the computer code that runs IRS systems. Since then, IRS computer experts have tracked down and cataloged 51 million lines of computer code to prepare for Y2K.

To ensure Y2K readiness, IRS officials have checked and tested other agency operations from coast-to-coast, including the agency's 13 computer and service centers. Among the items checked for Y2K readiness:

- 135 mission-critical systems.
- 37 non-mission critical systems.
- 41 mainframe computers.
- 952 minicomputers.
- 150,000 personal computers.

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68,000 telecommunications products.

98,000 computer application programs containing 51 million lines of code. Other items in more than 700 IRS buildings, ranging from heating and air conditioning systems to office equipment.

HOW WE TESTED

To ensure the IRS can operate in the new millennium, the agency embarked on the most rigorous set of testing ever for its systems. The testing focused both on individual computer systems and “end-to-end” testing on mission-critical systems.

The “end-to-end” testing examined whether key tax processing systems can function together in the year 2000. This series of tests moved computer clocks forward to the year 2000 and factored in other elements, such as tax law changes needed for the 2000 filing season. These tests verified the ability of IRS computers to process tax transactions from start to finish, whether it’s the receipt of a tax return or the approval of a refund check.

The IRS successfully ran four “end-to-end” tests.

The IRS also conducted its entire 1999 filing season with much of its Y2K-compliant technology in place. So the agency’s most crucial processing systems have already handled an entire filing season with Y2K technology in place. And the 1999 filing season emerged as one of the IRS’s most successful ever.

ROLL-OVER WEEKEND

To be ready for business following the New Year, the IRS will take a series of steps during “Roll-Over Weekend.” This will occur between Dec. 29 and Jan. 3, the Monday when the IRS reopens for business.

During this period, IRS Y2K experts will check everything from mainframe computers to elevators during “Roll-Over Weekend.”

Starting Dec. 29, the IRS will wrap up tax processing activities and “back-up” these critical computer systems – creating a safety net as Jan. 1 arrives. These computers will remain turned on in an “idle” status, a state they will remain in as the New Year arrives. Later on Jan. 1, the systems will be brought back to their normal operating status and updated with programs for the year 2000 filing season.

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During this weekend, IRS officials across the country also will check systems and facilities to make sure things are running smoothly in advance of the agency resuming normal business operations on Jan. 3.

The weekend activities at about 525 IRS sites will be tracked around-the-clock at the agency's Y2K Command Center in New Carrollton, Md. This nerve center will be part of the special effort to identify and fix any problems during the new year holiday. Information collected by the Command Center will be relayed to the Y2K command post at the Treasury Department, which will then send it to the White House's Y2K command center.

To test the IRS Command Center's ability to collect information from the agency's Y2K teams across the country, the agency ran an extensive nationwide dress rehearsal in November and a more limited rehearsal in December.

If problems arise during the New Year at the New Carrollton Command Center, the IRS has an emergency back-up Command Center in place at the Martinsburg Computing Center in West Virginia.

IMPACT ON TAXPAYERS

Taxpayers should see a smooth entry into the new century following the IRS's "Roll-Over Weekend." Vital taxpayer records are safe and computerized files will be backed up prior to New Year's Day.

From the taxpayer's standpoint, the date change should be transparent and have no impact on IRS activities.

For any Y2K problems outside the IRS, the tax agency stands ready to help taxpayers. The IRS has taken steps to provide penalty and interest relief to taxpayers and businesses who might be unable to comply with the tax laws because of year 2000 problems beyond their control.

Following up on legislation enacted earlier this year, the IRS will be prepared to waive tax penalties and interest for taxpayers who encounter major Y2K problems despite taking appropriate steps to prepare for the century date change.

TAXPAYERS AND THE 2000 FILING SEASON

The IRS will stay vigilant for Y2K problems beyond Jan. 1 to safeguard against problems during the tax filing season -- the most crucial period for Y2K issues at the IRS.

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Although testing shows IRS computers can function in 2000, the complex systems could still encounter Y2K problems during the filing season, which starts in early January. The IRS will keep special monitoring efforts in place beyond April 15 to watch for Y2K issues.

If any Y2K-related problems arise, the IRS plans a rapid response to fix the glitches and minimize filing season disruptions to taxpayers.

The IRS has developed contingency plans that outline the necessary steps to follow in the event any of our mission-critical tax processing systems suffer a major failure. While we don't anticipate a major failure, we have the necessary plans in place in the event they are needed.

INFORMATION FROM OUTSIDE GROUPS

A key part of the nation's tax system involves the IRS receiving tax information from outside groups, ranging from other government entities to banks and other businesses in the private sector. To guarantee all the data is in a Y2K-compliant format, the IRS has signed agreements with all 1,434 of our external trading partners.

We have also tested information exchanges with key groups in a year 2000 format to safeguard against any problems.

BEYOND Y2K

The IRS needed to take these steps to prepare for Y2K, but the project's \$1 billion price tag through fiscal year 1999 also has yielded tax administration benefits that stretch far beyond the century-date-change issue.

As part of the Y2K effort, the IRS has replaced out-of-date systems, adopted standard desktop applications and improved the agency's ability to manage large-scale projects. The process takes the IRS one step closer to providing top-notch service to taxpayers.

The lessons learned from Y2K will also carry over into the IRS's broader computer modernization effort. The IRS is in the early stages of overhauling the design of its computer systems, some of which date back to when John Kennedy was president.

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The long-term goal of the 10-15 year computer modernization project will be revolutionizing nearly every aspect of the IRS, with the new technology touching everything from the agency's core data systems to the processing of tax returns. The end result will be improved service for taxpayers, yielding everything from better telephone service to faster tax refunds in the new millennium.

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